

WILLISTON PUBLIC SCHOOL DISTRICT #1

**FINANCIAL STATEMENTS
JUNE 30, 2020**

WITH INDEPENDENT AUDITOR'S REPORT

WILLISTON PUBLIC SCHOOL DISTRICT #1

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FOR THE YEAR ENDED JUNE 30, 2020**

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WILLISTON PUBLIC SCHOOL DISTRICT #1

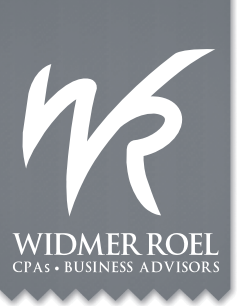
**SCHOOL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2020**

Current

Thomas Kalil	Board President
Heather Wheeler	Board Vice President
Laurie Garbel	Board Member
Emily Ramage Geltel	Board Member
Cory Swint	Board Member
Dr. Jeff Thake	Superintendent
Lori Olson	Interim Assistant Superintendent/ Curriculum Director

June 30, 2020

Joanna Baltés	Board President
Thomas Kalil	Board Vice President
Sara Kasmer	Board Member
Heather Wheeler	Board Member
Cory Swint	Board Member
Dr. Jeff Thake	Superintendent
Lori Olson	Assistant Superintendent of Business Services



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INDEPENDENT AUDITOR’S REPORT

School Board and Administration
Williston Public School District #1
Williston, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Williston Public School District #1** (“School District”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit qualified audit opinions on the governmental activities, each major fund, and the aggregate remaining fund information.

Basis for Qualified Opinion on the Governmental Activities, Major Funds and Aggregate Remaining Fund Information

Management has not fully reconciled cash to the financial statements. Cash must be reconciled to ensure cash and related amount are in accordance with accounting principles generally accepted in the United States of America. The amount by which this departure affects cash is approximately \$437,000.

Qualified Opinion on the Governmental Activities, Major Funds, and Aggregate Remaining Fund Information

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities, major funds, and aggregate remaining fund information, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Williston Public School District #1**, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund, Schedule of Employer’s Share of Net Pension Liability, Schedule of Employer Contributions, and Notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The School District officials listing has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2021, on our consideration of the **Williston Public School District #1's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Williston Public School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Williston Public School District #1's** internal control over financial reporting and compliance.



Fargo, North Dakota
September 16, 2021

WILLISTON PUBLIC SCHOOL DISTRICT #1

STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 19,153,844
Taxes receivable	1,474,056
Intergovernmental receivable	4,297,517
Inventory	22,611
Prepaid expenses	2,907
Capital assets, not being depreciated	
Land	3,078,290
Construction in progress	10,944,543
Capital assets, net of accumulated depreciation	
Buildings	77,980,779
Modular leasehold improvements	3,185,505
Furniture and equipment	1,611,218
Vehicles	537,492
Land and building improvements	<u>976,097</u>
Total assets	123,264,859
DEFERRED OUTFLOWS OF RESOURCES	
Derived from pension and OPEB	<u>14,401,252</u>
Total assets and deferred outflows of resources	\$ <u><u>137,666,111</u></u>

	Governmental Activities
LIABILITIES	
Checks in excess of deposits	\$ 567,244
Accounts payable	739,312
Salaries and benefits payable	6,014,011
Retainage payable	325,841
Interest payable	539,076
Unearned revenue	101,775
Long-term liabilities	
Portion due or payable within one year	
Compensated absences payable	171,303
Bond payable	975,000
Construction loan payable	968,074
Certificate of indebtedness payable	970,000
Portion due or payable after one year	
Compensated absences	685,212
Bond payable	22,285,000
Bond premium	736,819
Construction loan payable	15,165,093
Certificate of indebtedness payable	11,895,000
Net pension and OPEB liability	50,483,731
	<u>112,622,491</u>
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB items	<u>6,178,670</u>
NET POSITION	
Net investment in capital assets	46,055,756
Restricted for	
Debt service	1,334,749
Capital projects	5,259,327
Unrestricted	<u>(33,784,882)</u>
Total net position	<u>18,864,950</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 137,666,111</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 42,518,568	\$ 1,366,060	\$ -	\$ (41,152,508)
Federal programs	1,664,202	-	1,581,137	(83,065)
Special education	720,094	-	-	(720,094)
Vocational education	1,031,528	-	108,779	(922,749)
District wide services	3,613,669	-	-	(3,613,669)
Administration	4,320,849	-	-	(4,320,849)
Operations and maintenance	6,400,316	-	-	(6,400,316)
Food service	3,097,885	1,294,621	1,361,372	(441,892)
Transportation	188,523	-	-	(188,523)
Student activities	1,465,686	27,392	-	(1,438,294)
Community services	19,772	-	-	(19,772)
Interest expense and fees	1,407,454	-	-	(1,407,454)
	<u>\$ 66,448,546</u>	<u>\$ 2,688,073</u>	<u>\$ 3,051,288</u>	<u>(60,709,185)</u>
Total governmental activities	\$ <u>66,448,546</u>	\$ <u>2,688,073</u>	\$ <u>3,051,288</u>	<u>(60,709,185)</u>

GENERAL REVENUES

Property taxes; levied for general purposes	12,718,919
In lieu of taxes	148,627
Sales tax levy	1,982,922
Oil and gas tax	4,708,255
State aid not restricted to specific program	34,566,599
Earnings on investments	110,757
Miscellaneous revenues	<u>4,352,040</u>
Total general revenues	<u>58,588,119</u>
Change in net position	(2,121,066)
Net position - July 1	<u>20,986,016</u>
Net position - June 30	\$ <u>18,864,950</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>
ASSETS			
Cash and cash equivalents	\$ 11,068,831	\$ 5,347,990	\$ 1,313,495
Taxes receivable	1,038,509	202,548	197,975
Intergovernmental receivable	3,579,324	-	-
Inventory	-	-	-
Prepaid expenses	<u>2,907</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 15,689,571</u>	<u>\$ 5,550,538</u>	<u>\$ 1,511,470</u>
LIABILITIES			
Checks in excess of deposits	\$ -	\$ -	\$ -
Accounts payable	592,453	142,389	-
Salaries and benefits payable	5,919,810	-	-
Unearned revenue - food service	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,512,263</u>	<u>142,389</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenue	<u>931,633</u>	<u>148,822</u>	<u>176,721</u>
FUND BALANCES			
Nonspendable	2,907	-	-
Restricted for			
Debt service	-	-	1,334,749
Capital projects	-	5,259,327	-
Committed			
Special reserve	-	-	-
Unassigned	<u>8,242,768</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,245,675</u>	<u>5,259,327</u>	<u>1,334,749</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,689,571</u>	<u>\$ 5,550,538</u>	<u>\$ 1,511,470</u>

<u>Food Service Fund</u>	<u>Special Reserve Funds</u>	<u>Total Government Funds</u>
\$ -	\$ 1,423,528	\$ 19,153,844
-	35,024	1,474,056
718,193	-	4,297,517
22,611	-	22,611
-	-	2,907
<u>\$ 740,804</u>	<u>\$ 1,458,552</u>	<u>\$ 24,950,935</u>
\$ 567,244	\$ -	\$ 567,244
4,470	-	739,312
94,201	-	6,014,011
101,775	-	101,775
767,690	-	7,422,342
-	31,439	1,288,615
22,611	-	25,518
-	-	1,334,749
-	-	5,259,327
-	1,427,113	1,427,113
(49,497)	-	8,193,271
(26,886)	1,427,113	16,239,978
<u>\$ 740,804</u>	<u>\$ 1,458,552</u>	<u>\$ 24,950,935</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balances for governmental funds		\$ 16,239,978
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of capital assets	125,992,791	
Less accumulated depreciation	<u>(27,678,867)</u>	98,313,924
<p>Accrued interest payable for long-term liabilities is not due and payable in the current period and therefore is not reported as liabilities in the funds.</p>		
		(539,076)
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.</p>		
		1,288,615
<p>Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.</p>		
		(50,483,731)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Total deferred outflows of resources	14,401,252	
Total deferred inflows of resources	<u>(6,178,670)</u>	8,222,582
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated absences payable	(856,515)	
Bonds payable	(23,260,000)	
Bond premium	(736,819)	
Retainage payable	(325,841)	
Construction loan payable	(16,133,167)	
Certificate of indebtedness	<u>(12,865,000)</u>	<u>(54,177,342)</u>
Total net position of governmental activities		\$ <u><u>18,864,950</u></u>

WILLISTON PUBLIC SCHOOL DISTRICT #1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>
REVENUES			
Local sources	\$ 16,556,547	\$ 2,011,838	\$ 1,953,761
State sources	34,709,886	-	-
Federal sources	1,579,808	-	-
Other sources	<u>55,232</u>	<u>4,327,661</u>	<u>1,041</u>
 Total revenues	 <u>52,901,473</u>	 <u>6,339,499</u>	 <u>1,954,802</u>
 EXPENDITURES			
Current			
Regular instruction	36,102,782	-	-
Federal programs	1,535,495	-	-
Special education	2,337,654	-	-
Vocational education	1,063,404	-	-
District wide services	4,035,289	-	-
Administration	2,736,532	-	-
Operations and maintenance	4,636,777	722,121	-
Food service	-	-	-
Transportation	569,964	-	-
Student activities	1,364,755	-	-
Community services	19,893	-	-
Capital outlay	9,462	12,423,227	-
Debt service			
Principal	1,350,000	425,000	1,366,363
Interest and fees	<u>275,279</u>	<u>254,365</u>	<u>790,199</u>
 Total expenditures	 <u>56,037,286</u>	 <u>13,824,713</u>	 <u>2,156,562</u>
 Excess (deficiency) of revenues over expenditures	 <u>(3,135,813)</u>	 <u>(7,485,214)</u>	 <u>(201,760)</u>
 Net change in fund balances	 (3,135,813)	 (7,485,214)	 (201,760)
 FUND BALANCES - JULY 1	 <u>11,381,488</u>	 <u>12,744,541</u>	 <u>1,536,509</u>
 FUND BALANCES - JUNE 30	 <u>\$ 8,245,675</u>	 <u>\$ 5,259,327</u>	 <u>\$ 1,334,749</u>

<u>Food Service Fund</u>	<u>Special Reserve Funds</u>	<u>Total Government Funds</u>
\$ 1,439,168	\$ 346,556	\$ 22,307,870
13,226	-	34,723,112
1,203,600	-	2,783,408
-	424	4,384,358
2,655,994	346,980	64,198,748
-	-	36,102,782
-	-	1,535,495
-	-	2,337,654
-	-	1,063,404
-	-	4,035,289
-	-	2,736,532
-	-	5,358,898
2,775,886	-	2,775,886
-	-	569,964
-	-	1,364,755
-	-	19,893
-	-	12,432,689
-	-	3,141,363
-	-	1,319,843
2,775,886	-	74,794,447
(119,892)	346,980	(10,595,699)
(119,892)	346,980	(10,595,699)
93,006	1,080,133	26,835,677
\$ (26,886)	\$ 1,427,113	\$ 16,239,978

WILLISTON PUBLIC SCHOOL DISTRICT #1

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds \$ (10,595,699)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:

Current year capital outlay	12,938,818	
Depreciation expense	<u>(3,213,614)</u>	
		9,725,204

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,141,363
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Governmental funds report the effect of premiums on refunding when debt is first issued, whereas this amount is deferred and amortized in the statement of activities.	73,626
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net increase in compensated absences	(262,074)	
Net increase in retainage payable	(325,841)	
Net increase in interest payable	<u>(156,492)</u>	
		(744,407)

The net pension and OPEB liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to these pension and OPEB items do not involve financial resources, and are not reported in the funds.		
Increase in net pension and OPEB liability	(573,803)	
Increase in deferred outflows of resources	958,278	
Increase in deferred inflows of resources	<u>(4,234,331)</u>	
		(3,849,856)

Some revenues reported in the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable along with tuition for local education agencies.		<u>128,703</u>
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Change in net position of governmental activities \$ (2,121,066)

WILLISTON PUBLIC SCHOOL DISTRICT #1
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2020

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 1,097,844
Accounts receivable	<u>11,982</u>
Total assets	<u>\$ 1,109,826</u>
LIABILITIES	
Due to others	\$ 657,708
Due to primary government	<u>452,118</u>
Total liabilities	<u>\$ 1,109,826</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The financial statements of the Williston Public School District #1 (“School District”), Williston, North Dakota, have been prepared in conformity with accounting principles general accepted in the United States of America (“GAAP”) as applied to government units. The Government Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the Williston Public School District #1. The School District has considered all potential component units for which the School District is financially accountable and other organizations for which the nature and significance of their relationships with the School District are such that exclusion would cause the School District’s financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization’s governing board and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or imposed financial burdens on the School District.

Based on these criteria, there are no component units to be included within the School District as a reporting entity.

Basis of Presentation

Government-Wide Financial Statements: The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government of the School District. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. There are no reported business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements: The fund financial statements provide information about the School District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column. All remaining governmental funds are aggregate and reported as non-major funds.

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The School District reports the following major governmental funds:

General Fund: This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Building Fund: This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, the making of major repairs to existing buildings, or to make annual debt service payments on outstanding debt issues related to the building fund.

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs for the general obligation school building bonds.

Food Service Fund: The fund is used to account for the proceeds of food service revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.

Special Reserve Fund: The fund is used to collect property tax revenue to cover excess expenditures that may occur during the year that the School District did not originally budget for.

The School District reports the following fund type:

Agency Fund: This fund accounts for assets held by the School District in a custodial capacity as an agent on behalf of others. The School District's agency fund is used to account for various deposits of the teacher learning center, Leon Olson Scholarship Fund, and student activity funds.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and certificates of deposit, which have maturity dates of six months or less.

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Inventory

The School District accounts for the inventory of the food service fund, which is valued at cost, which approximates market, using the FIFO (first in first out) method. Reported inventories are equally offset by fund balance designation which indicates the inventories do not constitute “available spendable resources.”

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Reported prepaid expenses are equally offset by fund balance designation which indicates the prepaid expenses do not constitute “available spendable resources.”

Capital Assets

Capital assets include property, plant, and equipment. Assets are reported in the governmental activity’s column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land and building improvements	20 to 40 years
Modular leasehold improvements	20 to 40 years
Buildings	20 to 50 years
Vehicles	8 to 15 years
Furniture and equipment	5 to 10 years

Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net position. The School District allows unused vacation leave to be carried over to a maximum of one year’s vacation time.

Vested or accumulated sick leave is reported in government-wide statement of net position. Sick leave is accumulated at a rate of 10 days per year with no limit. Although employees accrue sick leave on an annual basis, the accrual for sick leave vests only if the employee has at least 12 years of continuous service. The leave will be paid at a rate of 40% of the base pay rate for the employee’s position.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. See additional information regarding this item in Notes 7 and 8 to the financial statements.

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has multiple items that qualify for reporting in this category. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The School District also reports deferred inflows of resources related to pensions and other post-employment benefits. See additional information regarding this item in Notes 7 and 8 to the financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Financial Statements

Government fund equity is classified as fund balance and may distinguish between “restricted” and “unrestricted” components. Fiduciary fund equity (except for agency funds, which have no fund equity) is reported as net position held in trust for other purposes.

Restricted and Unrestricted Resources

It is the School District’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance and Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the business manager.

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Unassigned – includes positive fund balance within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

The School District does not have a formal minimum fund balance policy.

Program Revenues

In the government-wide statement of activities, reported program revenues derive from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

Charges for services – these arise from charges to customers, applicants, or other who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

Program-specific operating grants and contributions – these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

Program-specific capital grants and contributions – these arise from mandatory and voluntary non-exchange transactions and other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

Accounts Payable

Accounts payable consists of amounts owed for goods and services received prior to June 30 and chargeable to the appropriations for the year then ended but paid subsequent to that date.

Salaries and Benefits Payable

Salaries and benefits payable consists of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher's salaries as of June 30.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System ("NDPERS") and the North Dakota Teachers' Fund for Retirement ("TFFR") and additions to/deductions from NDPERS's and TFFR's fiduciary net positions have been determined on the same basis as they are reported by NDPERS and TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS), and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – CASH AND CASH EQUIVALENTS

In accordance with North Dakota Statutes, the School District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in another financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities of 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities, or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing entity and bonds issued by any other state of the United States or such other securities approved by the banking board.

At year ended June 30, 2020, the School District's carrying amount of deposits was \$19,684,444 and the bank balances were \$23,332,489. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

The School District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All investments are certificates of deposit that mature within one year.

Credit Risk

The School District may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an Act of Congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
- (d) Obligations of the state.

(Continued)

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

At June 30, 2020 the School District held certificates of deposit in the amount of \$533,877 which are all considered deposits and included in the above amount of total deposits.

Concentration of Credit Risk

The School District does not have a policy limiting the amount the School District may invest in any one issuer.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments, and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent, and penalties are assessed.

Property owners generally choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

NOTE 4 – INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various school programs. These amounts consist of a mix of state and federal dollars.

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfer</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Land	\$ 3,078,290	\$ -	\$ -	\$ -	\$ 3,078,290
Construction in progress	<u>1,537,056</u>	<u>12,716,463</u>	<u>-</u>	<u>(3,308,976)</u>	<u>10,944,543</u>
Total capital assets not being depreciated	<u>4,615,346</u>	<u>12,716,463</u>	<u>-</u>	<u>(3,308,976)</u>	<u>14,022,833</u>
Capital assets, being depreciated					
Buildings	92,625,502	-	-	3,308,976	95,934,478
Modular leasehold improvements	4,025,848	-	-	-	4,025,848
Furniture and equipment	5,903,390	81,493	-	-	5,984,883
Vehicles	2,108,050	140,862	-	-	2,248,912
Land and building improvements	<u>3,775,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,775,837</u>
Total capital assets, being depreciated	<u>108,438,627</u>	<u>222,355</u>	<u>-</u>	<u>3,308,976</u>	<u>111,969,958</u>

(Continued)

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfer</u>	<u>Ending Balance</u>
Less accumulated depreciation for					
Buildings	15,756,262	2,197,437	-	-	17,953,699
Modular leasehold improvements	696,437	143,906	-	-	840,343
Furniture and equipment	3,756,418	617,247	-	-	4,373,665
Vehicles	1,586,194	125,226	-	-	1,711,420
Land and building improvements	<u>2,669,942</u>	<u>129,798</u>	-	-	<u>2,799,740</u>
Total accumulated depreciation	<u>24,465,253</u>	<u>3,213,614</u>	-	-	<u>27,678,867</u>
Total capital assets, being depreciated, net	<u>83,973,374</u>	<u>(2,991,259)</u>	-	<u>3,308,976</u>	<u>84,291,091</u>
Governmental activities capital assets, net	\$ <u>88,588,720</u>	\$ <u>9,725,204</u>	\$ -	\$ -	\$ <u>98,313,924</u>

Depreciation expense was charged to functions/programs of the School District as follows:

Regular instruction	\$ 1,981,107
Special education	131,527
Vocational education	58,372
District wide services	226,073
Administration	154,729
Operations and maintenance	303,720
Food service	156,302
Student activities	76,558
Vehicles	<u>125,226</u>
	\$ <u>3,213,614</u>

NOTE 6 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in liabilities reported in the long-term liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation building bonds	\$ 24,120,000	\$ -	\$ 860,000	\$ 23,260,000	\$ 975,000
Bond premium	810,445	-	73,626	736,819	-
Construction loan	17,064,530	-	931,363	16,133,167	968,074
Certificate of indebtedness	14,215,000	-	1,350,000	12,865,000	970,000
Compensated absences	594,442	262,074	-	856,516	171,303
Net pension liability	49,399,582	502,769	-	49,902,351	-
Net OPEB liability	<u>510,346</u>	<u>71,034</u>	-	<u>581,380</u>	-
Total	\$ <u>106,714,345</u>	\$ <u>835,877</u>	\$ <u>3,214,989</u>	\$ <u>104,335,233</u>	\$ <u>3,084,377</u>

Governmental Activities

The compensated absences liability attributable to the governmental activities will be liquidated by the General Fund. The payments on the bonds will be made by the Debt Service Fund.

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Outstanding debt at June 30, 2020 consists of the following issues:

General Obligation Bonds

\$2,690,000 General Obligation School Building Bonds of 2011, due in annual installments of \$40,000 to \$235,000 through October, 2024; interest at 0.75% to 3.10%.	\$ 1,105,000
\$9,895,000 General Obligation School Building Bond, Series 2014, due in annual installments of \$980,000 to \$1,240,000 beginning on August 1, 2026 through August 1, 2034; interest at 2.5% to 3.5%.	9,895,000
\$4,105,000 General Obligation School Building Bonds, Series 2015A, due in annual installments of \$50,000 to \$890,000 through August 1, 2025; interest at 2% to 3%.	3,580,000
\$3,965,000 General Obligation School Building Bond, Series 2015C, due in annual installments of \$120,000 to \$255,000 through August 1, 2035; interest at 2% to 3%.	3,340,000
\$6,035,000 General Obligation School Building Bonds, Series 2016A, due in annual installments of \$190,000 to \$415,000 through August 1, 2035; interest at 2% to 3%.	<u>5,340,000</u>
Total general obligation bonds	\$ <u><u>23,260,000</u></u>

Debt service requirements on the general obligation bonds, including interest, at June 30, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 975,000	\$ 663,260	\$ 1,638,260
2022	1,095,000	638,158	1,733,158
2023	1,210,000	607,614	1,817,614
2024	1,345,000	571,115	1,916,115
2025-2029	7,470,000	2,275,797	9,745,797
2030-2034	8,610,000	1,110,630	9,720,630
2035-2036	<u>2,555,000</u>	<u>60,595</u>	<u>2,615,595</u>
	\$ <u><u>23,260,000</u></u>	\$ <u><u>5,927,169</u></u>	\$ <u><u>29,187,169</u></u>

Construction Loans

\$20,000,000 Construction Loan due in annual installments of \$500,000 to \$770,000 maturing on October 1, 2035; interest at 2%.	\$ <u><u>16,133,167</u></u>
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WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Debt service requirements on the construction loans, including interest, at June 30, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 968,074	\$ 317,398	\$ 1,285,472
2022	987,533	297,939	1,285,472
2023	1,007,382	278,090	1,285,472
2024	1,027,631	257,841	1,285,472
2025	1,048,286	237,186	1,285,472
2026-2030	5,566,087	861,271	6,427,358
2031-2035	<u>5,528,174</u>	<u>285,301</u>	<u>5,813,475</u>
	\$ <u>16,133,167</u>	\$ <u>2,535,026</u>	\$ <u>18,668,193</u>

Certificate of Indebtedness

\$14,215,000 Certificate of Indebtedness, Series 2019, due in annual installments of \$970,000 to \$1,365,000 through August 1, 2030; interest at 3% to 4%.

\$ 12,865,000

Debt service requirements on the certificate of indebtedness, including interest, at June 30, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 970,000	\$ 419,000	\$ 1,389,000
2022	1,005,000	379,500	1,384,500
2023	1,045,000	338,500	1,383,500
2024	1,090,000	295,800	1,385,800
2025	1,135,000	251,300	1,386,300
2026-2030	<u>7,620,000</u>	<u>705,150</u>	<u>8,325,150</u>
	\$ <u>12,865,000</u>	\$ <u>2,389,250</u>	\$ <u>15,254,250</u>

NOTE 7 – PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teacher’s Fund for Retirement (“TFFR”)

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death, and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option, or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65 or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option, or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65 or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option, or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the School District reported a liability of \$40,801,080 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2019, the School District's proportion was 2.96249689 percent, which was an increase of .13011089 from its proportion measured as of July 1, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$5,397,129. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 58,259	\$ 1,472,526
Changes of assumptions	1,450,139	-
Net difference between projected and actual earnings on pension plan investments	574,321	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,273,362	74,933
School District's contributions subsequent to the measurement date	<u>2,946,965</u>	<u>-</u>
	\$ <u>8,303,046</u>	\$ <u>1,547,459</u>

\$2,946,965 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 1,936,835
2022	968,479
2023	381,856
2024	333,095
2025	46,774
Thereafter	141,583

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Actuarial Assumptions

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2019, funding actuarial valuation for TFFR.

As a result of the April 30, 2015, actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan’s target asset allocation as of July 1, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equities	58%	6.9%
Global fixed income	23%	2.1%
Global real assets	18%	5.4%
Cash equivalents	1%	0.0%

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2019, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2019. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of net pension liability	\$ <u>55,102,273</u>	\$ <u>40,801,080</u>	\$ <u>28,916,424</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at: www.nd.gov/rio/sib/publications/cafr/default.htm.

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System) ("NDPERS")

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies, and various participating political subdivisions. NDPERS provides for pension, death, and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees; and two members of the legislative assembly appointed by the chairman of the legislative management.

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

The member’s account balance includes the vested employer contributions equal to the member’s contributions to an eligible deferred compensation plan. The minimum member contribution is \$25, and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the School District reported a liability of \$9,101,271 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on the School District’s share of the covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the School District’s proportion was 0.776511 percent, which was an increase of 0.08631 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$2,212,138. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,390	\$ 1,651,707
Changes of assumptions	3,400,906	2,919,972
Net difference between projected and actual earnings on pension plan investments	158,566	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,538,184	33,176
School District contributions subsequent to the measurement date	<u>747,348</u>	<u>-</u>
	\$ <u>5,850,394</u>	\$ <u>4,604,855</u>

\$747,348 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2021	\$	856,924
2022		586,315
2023		(87,574)
2024		(647,766)
2025		(209,708)
Thereafter		-

Actuarial Assumptions

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%		
Salary increases	Service at Beginning of Year	State Employee	Non-State Employee
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	Age*		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	30%	6.25%
International equity	21%	6.95%
Private equity	7%	10.15%
Domestic fixed income	23%	2.11%
International fixed income	0%	0.00%
Global real assets	19%	5.41%
Cash equivalents	0%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years.

In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of net pension liability	\$ <u>13,049,263</u>	\$ <u>9,101,271</u>	\$ <u>5,784,267</u>

(Continued)

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) – ND PERS

General Information about the OPEB Plan

North Dakota Public Employees Retirement System OPEB Plan

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined contribution plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employees, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the School District reported a liability of \$581,380 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of the covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the School District's proportion was 0.723841 percent, which was an increase of 0.075839 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$84,860. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,359	\$ 18,162
Changes of assumptions	69,290	-
Net difference between projected and actual earnings on pension plan investments	648	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,890	8,194
School District contributions subsequent to the measurement date	<u>116,625</u>	<u>-</u>
	\$ <u>247,812</u>	\$ <u>26,356</u>

\$116,625 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended June 30:		
2021	\$	16,500
2022		16,500
2023		21,912
2024		20,919
2025		14,955
Thereafter		14,045

Actuarial Assumptions

The total OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's proportionate share of net pension liability	\$ <u>742,054</u>	\$ <u>581,380</u>	\$ <u>443,842</u>

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$1,393,321 for public asset coverage.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District has worker's compensation with the Department of Workforce Safety and Insurance. The School District pays part of the health insurance premiums for their employees.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 10 – RELATED PARTY

In March 2017, the School District entered into an agreement with an entity, which is owned by the school board vice-president's family, to lease land held by the School District for oil drilling. The agreement has a 36-month term, and the School District will receive royalties from the company for 21% their annual proceeds.

NOTE 11 – DEFICIT FUND BALANCE

The School District had a deficit balance in its food service Fund at June 30, 2020. The School District plans to eliminate the deficit with future revenue collections or transfers from other funds.

NOTE 12 – SUBSEQUENT EVENTS

The School District has entered into a formal reorganization plan with Williams County School District #8, whereby the School District was reorganized as Williston Basin School District #7, as allowed under NDCC 15.1-12. The reorganization was effective July 1, 2021.

WILLISTON PUBLIC SCHOOL DISTRICT #1

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

WILLISTON PUBLIC SCHOOL DISTRICT #1

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY – NDPERS & NDTFFR
LAST 10 FISCAL YEARS***

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND TFFR	6/30/2019	2.962497%	\$ 40,801,080	\$ 20,782,759	196.32%	65.5%
ND TFFR	6/30/2018	2.832386%	\$ 37,751,687	\$ 19,254,823	196.06%	65.5%
ND TFFR	6/30/2017	2.819433%	\$ 38,725,636	\$ 19,030,364	203.49%	63.2%
ND TFFR	6/30/2016	2.801734%	\$ 41,463,698	\$ 19,194,831	216.01%	59.2%
ND TFFR	6/30/2015	2.673772%	\$ 34,969,066	\$ 16,446,502	212.62%	62.1%
ND TFFR	6/30/2014	2.393571%	\$ 25,080,381	\$ 13,883,985	180.64%	99.0%
ND PERS	6/30/2019	0.776511%	\$ 9,101,271	\$ 8,077,040	112.68%	71.7%
ND PERS	6/30/2018	0.690201%	\$ 11,647,895	\$ 7,090,552	164.27%	62.8%
ND PERS	6/30/2017	0.690855%	\$ 11,104,307	\$ 7,052,545	157.45%	62.0%
ND PERS	6/30/2016	0.612159%	\$ 5,966,086	\$ 7,052,545	84.59%	70.5%
ND PERS	6/30/2015	0.440092%	\$ 2,992,550	\$ 3,920,682	76.33%	77.2%
ND PERS	6/30/2014	0.413951%	\$ 2,627,435	\$ 3,487,039	75.35%	93.0%

*Complete data for this schedule is not available prior to 2014.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS – NDPERS & NDTFFR
LAST 10 FISCAL YEARS*

Pension Plan	Measurement Date	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
ND TFFR	6/30/2019	\$ 2,946,965	\$ (2,946,965)	\$ -	\$ 23,111,855	12.75%
ND TFFR	6/30/2018	\$ 2,613,561	\$ (2,613,561)	\$ -	\$ 20,486,862	12.76%
ND TFFR	6/30/2017	\$ 2,447,342	\$ (2,447,342)	\$ -	\$ 19,194,831	12.75%
ND TFFR	6/30/2016	\$ 2,344,514	\$ (2,344,514)	\$ -	\$ 18,388,340	12.75%
ND TFFR	6/30/2015	\$ 2,096,828	\$ (2,096,828)	\$ -	\$ 16,446,502	12.75%
ND TFFR	6/30/2014	\$ 1,424,497	\$ (1,424,497)	\$ -	\$ 13,883,985	10.26%
ND TFFR	6/30/2013	\$ 1,492,515	\$ (1,492,515)	\$ -	\$ 11,706,000	12.75%
ND PERS	6/30/2019	\$ 588,054	\$ (579,701)	\$ 8,353	\$ 8,077,040	7.18%
ND PERS	6/30/2018	\$ 522,250	\$ (475,899)	\$ 46,351	\$ 7,090,552	6.71%
ND PERS	6/30/2017	\$ 511,395	\$ (502,193)	\$ 9,202	\$ 7,052,545	7.12%
ND PERS	6/30/2016	\$ 446,634	\$ (487,626)	\$ (40,992)	\$ 6,169,114	7.90%
ND PERS	6/30/2015	\$ 297,808	\$ (333,909)	\$ (36,101)	\$ 3,920,682	8.52%
ND PERS	6/30/2014	\$ 248,277	\$ (248,277)	\$ -	\$ 3,487,039	7.12%
ND PERS	6/30/2013	\$ 261,528	\$ (261,528)	\$ -	\$ 3,487,039	7.50%

*Complete data for this schedule is not available prior to 2013.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	As of Measurement Date		
	June 30, 2019	June 30, 2018	June 30, 2017
NDPERS - OPEB			
Employer's proportion of the net pension liability	0.723841%	0.648002%	0.651902%
Employer's proportionate share of the net pension liability	\$ 581,380	\$ 510,346	\$ 515,662
Employer's covered-employee payroll	\$ 8,077,040	\$ 7,090,552	\$ 7,052,545
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.20%	7.20%	7.31%
Plan fiduciary net position as a percentage of the total pension liability	63.1%	61.9%	59.8%

*Complete data for this schedule is not available prior to 2017.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	As of Measurement Date		
	June 30, 2019	June 30, 2018	June 30, 2017
NDPERS - OPEB			
Statutorily required contribution	\$ 93,936	\$ 83,168	\$ 81,981
Contributions in relation to the statutorily required contribution	\$ (92,805)	\$ (76,155)	\$ (80,295)
Contribution deficiency (excess)	\$ 1,131	\$ 7,013	\$ 1,686
Employer's covered-employee payroll	\$ 8,077,040	\$ 7,090,552	\$ 7,052,545
Contributions as a percentage of covered-employee payroll	1.15%	1.07%	1.14%

*Complete data for this schedule is not available prior to 2017.

WILLISTON PUBLIC SCHOOL DISTRICT #1
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local sources	\$ 15,402,833	\$ 15,402,833	\$ 16,556,547	\$ 1,153,714
State sources	36,058,260	36,058,260	34,709,886	(1,348,374)
Federal sources	1,711,345	1,711,345	1,579,808	(131,537)
Other sources	<u>111,565</u>	<u>111,565</u>	<u>55,232</u>	<u>(56,333)</u>
Total revenues	<u>53,284,003</u>	<u>53,284,003</u>	<u>52,901,473</u>	<u>(382,530)</u>
EXPENDITURES				
Current				
Regular instruction	34,758,862	34,758,862	36,102,782	1,343,920
Federal programs	1,604,009	1,604,009	1,535,495	(68,514)
Special education	1,256,447	1,256,447	2,337,654	1,081,207
Vocational education	1,105,970	1,105,970	1,063,404	(42,566)
District wide services	5,264,976	5,264,976	4,035,289	(1,229,687)
Administration	4,024,935	4,024,935	2,736,532	(1,288,403)
Operations and maintenance	4,418,104	4,418,104	4,636,777	218,673
Transportation	593,414	593,414	569,964	(23,450)
Student activities	1,147,539	1,147,539	1,364,755	217,216
Community services	18,000	18,000	19,893	1,893
Capital outlay	12,400	12,400	9,462	(2,938)
Debt service				
Principal	1,350,000	1,350,000	1,350,000	-
Interest	<u>275,279</u>	<u>275,279</u>	<u>275,279</u>	<u>-</u>
Total expenditures	<u>55,829,935</u>	<u>55,829,935</u>	<u>56,037,286</u>	<u>207,351</u>
Excess (deficiency) of revenues over expenditures	(2,545,932)	(2,545,932)	(3,135,813)	(589,881)
Net change in fund balance	(2,545,932)	(2,545,932)	(3,135,813)	(589,881)
FUND BALANCE, JULY 1	<u>11,381,488</u>	<u>11,381,488</u>	<u>11,381,488</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 8,835,556</u>	<u>\$ 8,835,556</u>	<u>\$ 8,245,675</u>	<u>\$ (589,881)</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The Board of Education adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- a) The annual budget must be prepared, and School District taxes must be levied on or before the fifteenth day of August of each year.
- b) The taxes levied must be certified to the county auditor by twenty-fifth of August.
- c) The operating budget includes proposed expenditures and means of financing them.
- d) Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- e) The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- f) All appropriations lapse at year-end.

NOTE 2 – CHANGES OF BENEFIT TERMS

Pension

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020, will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019, or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

NOTE 3 – CHANGES OF ASSUMPTIONS

North Dakota Teachers Fund for Retirement

Amounts reported in 2016 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.

WILLISTON PUBLIC SCHOOL DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

Pension

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019, valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019, valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

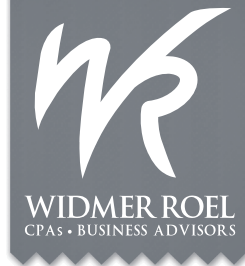
All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

NOTE 4 - EXCESS OF EXPENDITURES OVER BUDGET

Expenditures exceeded the budget by \$207,351 for the General Fund. No remedial action is anticipated or required by the School District regarding these excess expenditures. The School District is not required to have a legal budget for the Food Service and Special Reserve Fund.

WILLISTON PUBLIC SCHOOL DISTRICT #1

**SINGLE AUDIT REPORTS AND
SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
JUNE 30, 2020**



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Williston Public School District #1
Williston, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Williston Public School District #1**, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise **Williston Public School District #1's** basic financial statements and have issued our report thereon dated September 16, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Williston Public School District #1's** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Williston Public School District #1's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Williston Public School District #1's** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule in which the findings are reported findings and questioned costs as items 2020-001, 2020-002, 2020-003, 2020-004 and 2020-05 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Williston Public School District #1's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-006.

Williston Public School District #1's Response to Findings

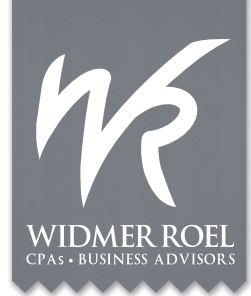
Williston Public School District #1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Williston Public School District #1's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fargo, North Dakota
September 16, 2021



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM
GUIDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Williston Public School District #1
Williston, North Dakota

Report on Compliance for Each Major Federal Program

We have audited **Williston Public School District #1's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Williston Public School District #1's** major federal programs for the year ended June 30, 2020. **Williston Public School District #1's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Williston Public School District #1's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Williston Public School District #1's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Williston Public School District #1's** compliance.

Opinion on Each Major Federal Program

In our opinion, **Williston Public School District #1** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of **Williston Public School District #1** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Williston Public School District #1's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Williston Public School District #1's** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Williston Public School District #1**, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise **Williston Public School District #1's** basic financial statements. We issued our report thereon dated September 16, 2021, which contained qualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements

or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the **School District's** basic financial statements due to management not fully reconciling cash to the financial statements, described in the independent auditor's report on the **School District's** basic financial statements, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.



Fargo, North Dakota
September 16, 2021

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/ Pass- Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipient</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture passed through North Dakota Department of Public Instruction				
Child Nutrition Cluster				
School Breakfast Program	10.553	F10553	\$ -	\$ 107,246
National School Lunch Program	10.555	F10555	-	480,428
National School Lunch Program-Commodities	10.555	F10555	-	165,488
Summer Food Service Program	10.559	F10559	-	485,200
Total Child Nutrition Cluster			-	1,238,362
State Administration Expenses for Child Nutrition	10.560	F10560A	-	16,776
Fresh Fruits and Vegetable Program	10.582	F10582	-	113,940
Subtotal Department of Agriculture			-	1,369,078
U.S. Department of Education Direct Assistance				
Indian Education - Grants to Local Educational Agencies				
	84.060	N/A	-	48,146
U.S. Department of Education passed through North Dakota Department of Public Instruction				
Title I - Grants to Local Educational Agencies	84.010	F84010	-	769,420
Education for Homeless Children and Youth	84.196	PII022	-	1,279
Title III - English Language Acquisition				
State Grant	84.365A	F84365A	-	21,600
Title II, Part A - Supporting Effective Instruction				
State Grant	84.367	F84367A	-	343,099
Title VI - Student Support and Academic Enrichment Program	84.424A	F84424A	-	121,484
School Improvement Grants	84.377A	F84377C	-	882
Elementary and Secondary School Emergency Relief Fund	84.425D	803755057	-	271,060
Comprehensive Literacy State Development Grant	84.371C	F84371	-	37,236
State Board of Career and Technical Education				
Career and Technical Education - Basic Grants to States				
	84.048	None	-	33,993
Subtotal Department of Education			-	1,648,199
Total expenditures of federal awards			\$ -	\$ 3,017,277

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Williston Public School District #1 (“School District”) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School District. Expenditures represent only the federally funded portions of the program. School District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – NONCASH AWARDS

The School District received \$165,488 in commodities, which are reported in the Schedule under the National School Lunch Program, CFDA#10.555. The value of the supplemental food program distributed by the School District during the year is priced by the North Dakota Department of Public Instruction. The amount of commodities reported in the Schedule is the value of supplemental food program distributed by the School District during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4 – PASS-THROUGH GRANT NUMBER

For Federal program marked “N/A”, the School District was unable to obtain a pass-through grant number.

NOTE 5 – INDIRECT COST RATE

Williston Public School District #1 has not elected to use the 10 percent de minimis cost rate as allowed under Uniform Guidance.

WILLISTON PUBLIC SCHOOL DISTRICT #1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Qualified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> reported
Noncompliance material to financial statements noted?	<u> X </u> yes	<u> </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> reported

Type of auditor’s report issued on compliance for major programs:	
Child Nutrition Cluster (10.553, 10.555, 10.559)	Unmodified
Elementary and Secondary School Emergency Relief Fund (84.425D)	Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?	<u> </u> yes	<u> X </u> no
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Identification of major programs:

CFDA Number	Name of Federal Program
10.553, 10.555, 10.559	Child Nutrition Cluster
84.425D	Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between type A and type B programs:	<u> \$750,000 </u>
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Auditee qualified as <u>low-risk</u> auditee?	<u> </u> yes	<u> X </u> no
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WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

2020-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

The School District has a lack of segregation of duties in certain areas due to a limited number of staff. Cash disbursement process, one employee can enter invoices into the accounting system, initiate the check run, and has access to the signature stamp. Also, no formal review of the printed checks that have the approved signatures included to the listing of original approved invoices.

Criteria

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting, and reconciliation.

Cause

The School District has limited staff to be able to adequately segregate duties.

Effect

Inadequate segregation of duties could adversely affect the School District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that the School District implement and/or continue the following:

- All invoices should be reviewed and approved by the School Board.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments and signing checks.
- The interim business manager should review and sign off on the check register report to agree with the pre-approved invoice listing report.
- The Superintendent should initial the board report after reviewing it to show his approval of it.
- Monthly income statements and balance sheets should be reviewed and approved by management and the School Board.
- Only one staff member enters manual journal entries and numbers them sequentially and the interim business manager reviews the journal entries.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

Views of Responsible Officials

The School District will continue to develop controls through cross training of duties and responsibilities.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

2020-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

Condition

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures, in conformity with generally accepted accounting principles.

Criteria

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause

The School Board feels that it is more cost effective to ask independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing training of the business manager.

Effect

Without the assistance of the auditors, the financial statements could be materially misstated or omit material financial statement disclosures.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate checklist or other guidance to ensure the financial statements contain all necessary disclosures, and we recommend the interim business manager consider attending professional development training on a periodic basis related to government financial reporting.

Views of Responsible Officials

The School District agrees with this finding and will proceed as directed.

2020-003 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS

Condition

There were identified misstatements in the School District's financial statements causing material proposed audit adjustments.

Criteria

A good system of internal accounting control contemplates proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause

The School District has a lack of internal controls over the recording of certain transactions.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Effect

Inadequate internal controls over recording of transactions affects the School District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation

We recommend that all general ledger accounts are reconciled in a timely manner and adjustment made for any differences noted.

Views of Responsible Officials

The business manager will continue to implement controls for the reconciling of significant accounts.

2020-004 (MATERIAL WEAKNESS) – DEBT COVENANTS

Condition

As of June 30, 2020, the School District did not create a separate debt service account to pay for principal and interest related to the Certificate of Indebtedness, Series 2019. Principal and Interest were paid out of the General Fund.

Criteria

The Certificate of Indebtedness identifies that the School District is required to maintain a designated sinking fund to be used for no purpose other than the payment of principal and interest.

Cause

The School District officials were unaware that a separate debt service account need to be created.

Effect

The School District is in violation of a covenant of the Certificate of Indebtedness, Series 2019 loan agreement.

Recommendation

We recommend that the School District set up a separate debt service account to pay for the principal and interest payments and ensure the School District stays in compliance with all of its bond and loan covenants.

Views of Responsible Officials

The business manager will consider reaching out on this matter.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

2020-005 (MATERIAL WEAKNESS) – RECONCILIATION OF CASH

Condition

The School District's bank reconciliation did not balance to the general ledger cash amounts recorded. The cash per the bank reconciliation was \$437,000 more than cash per the general ledger. The bank reconciliation has not been provided to, or reviewed by the school board members and the former business manager did not initial or date the reconciliations to show her review.

Criteria

A good system of internal accounting controls includes proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances within a timely manner. It is also recommended that the board is aware of any reconciliation issues or what the outstanding items are.

Cause

It was noted that there were outstanding items older than one year. There is no formal review of the bank reconciliation by any of the school board members which causes the board to be unaware of current cash balances in each account.

Effect

Inadequate internal controls over recording of cash transactions affect the School District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation

We recommend that the board members review the bank reconciliations basis to ensure all items are being properly recorded and match what is recorded in the financial statements. This will also allow the board to identify the amount of cash held by the School District. We also recommend that the business manager initial and date the reconciliations to show that she has reviewed them.

Views of Responsible Officials

The School District is working to complete the bank reconciliations before the following month's board meeting and will work to implement a procedure for the school board to review the reconciliation.

2020-006 (NONCOMPLIANCE) UNTIMELY FILING OF THE DATA COLLECTION FORM

Condition

The School District failed to submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

Criteria

As a matter for federal grant compliance, the School District needs to ensure timely filing of the Data Collection Form.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Cause

Audited financial statements were not complete; therefore, the Data Collection Form could not be filed timely.

Effect

The School District is not in compliance with the filing requirement deadline.

Recommendation

We recommend that the School District follow Federal grant requirements and ensure the audit can be performed early enough to allow the Data Collection Form to be filed within the required time limits.

Views of Responsible Officials

They are working to have audits performed timely to allow for the Data Collection Form to be filed within the time limit.

SECTION III – MAJOR FEDERAL AWARD PROGRAMS FINDINGS

NONE NOTED

WILLISTON PUBLIC SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

2019-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

Recommendation

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that the School District implement and/or continue the following:

- All invoices should be reviewed and approved by the School Board.
- Ideally, all checks should be signed by a School Board member.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments and signing checks and preparing the bank reconciliation.
- Monthly income statements and balance sheets should be reviewed and approved by management and the School Board.
- Bank reconciliations should be reviewed and approved by someone separate from bank reconciliation responsibilities.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

Current Status

Current Staff size prevents resolution of the finding. The finding remains open.

2019-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

Condition

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures and the schedule of expenditures of federal awards, in conformity with generally accepted accounting principles.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Current Status

Current Staff size prevents resolution of the finding. The finding remains open.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

2019-003 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS

Condition

There were identified misstatements in the School District’s financial statements causing material proposed audit adjustments.

Recommendation

We recommend that all general ledger accounts are reconciled in a timely manner and adjustment made for any differences noted.

Current Status

Similar audit adjustments were required during this audit. The finding remains open.

2019-004 (MATERIAL WEAKNESS) – RECONCILIATION OF CASH

Condition

The School District’s bank reconciliation did not balance to the general ledger cash amounts recorded. The amount on bank reconciliation exceeded the general ledger balances by \$101,855.

Recommendation

We recommend that the Board members review the bank reconciliations on a monthly basis to ensure all items are being properly recorded and match what is recorded in the financial statements.

Current Status

The School District has made change to their reconciliation procedures but has not fully implemented the corrective action plan that was described in the prior year audit report. The finding remains open.

2019-005 (NONCOMPLIANCE) UNTIMELY FILING OF THE DATA COLLECTION FORM

Condition

The School District failed to submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

Recommendation

We recommend that the School District work with the auditors to help ensure the audit can be completed early enough to allow the Data Collection Form to be filed within the required time limits. The plan put in place for the 2020 audit includes providing requested audit documentation in advance, beginning field work earlier in the year, and clarifying communication roles of responsibilities.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Current Status

The School District has not implemented the corrective action plan that was described in the prior year audit report. The finding remains open.



WILLISTON
PUBLIC SCHOOL DISTRICT #1

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

The Williston Public School District #1 respectfully submits the following views of responsible officials and planned corrective action for the year ended June 30, 2020.

Name and address of independent public accounting firm:

Widmer Roel PC
4220 31ST Avenue S
Fargo, ND 58104

Audit period: June 30, 2020

The findings from the June 30, 2020 Schedule of Findings and Responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

2020-001 – (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Finding

The School District has a lack of segregation of duties in certain areas due to a limited number of staff. Cash disbursement process, one employee can enter invoices into the accounting system, initiate the check run, and has access to the signature stamp. Also, no formal review of the printed checks that have the approved signatures included to the listing of original approved invoices.

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that the School District implement and/or continue the following:

- All invoices should be reviewed and approved by the School Board.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments and signing checks.
- The interim business manager should review and sign off on the check register report to agree with the pre-approved invoice listing report.
- The Superintendent should initial the board report after reviewing it to show his approval of it.
- Monthly income statements and balance sheets should be reviewed and approved by management and the School Board.
- Only one staff member enters manual journal entries and numbers them sequentially and the interim business manager reviews the journal entries.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

Views of Responsible Officials and Planned Corrective Action

In the 2021-2022 school year, the board approves all invoices before checks are signed or mailed out. The person preparing the checks is not the person sending the checks to the vendors. The school board is developing a list of reports that will be submitted to the board at each board meeting for their review. Also in the 21-22 school year, the manual journal entries will be sequential. New procedures will be developed for cash accounting.



2020-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

Finding

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures, in conformity with generally accepted accounting principles.

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate checklist or other guidance to ensure the financial statements contain all necessary disclosures, and we recommend the interim business manager consider attending professional development training on a periodic basis related to government financial reporting.

Views of Responsible Officials and Planned Corrective Action

The District will contract with an accounting firm to provide consultation and to help prepare financial statements.

2020-003 – (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS

Finding

There were identified misstatements in the School District's financial statements causing material proposed audit adjustments.

We recommend that all general ledger accounts are reconciled in a timely manner and adjustment made for any differences noted.

Views of Responsible Officials and Planned Corrective Action

The Business Manager will continue to implement controls for the reconciling of significant accounts.

2020-004 – (MATERIAL WEAKNESS) – DEBT COVENANTS

Finding

During testing of debt covenants it was noted that the District is not in compliance with the covenants for the certificate of indebtedness.

We recommend that required accounts be setup in accordance with the debt covenant. We also suggest reaching out to the schools legal council, the lender, and if necessary consult the School Board Association.

Views of Responsible Officials and Planned Corrective Action

This has been identified and the district will reach out to rectify the compliance issues.



WILLISTON
PUBLIC SCHOOL DISTRICT #1

2020-005 – (MATERIAL WEAKNESS) – RECONCILIATION OF CASH

Finding

The School District's bank reconciliation did not balance to the general ledger cash amounts recorded. The cash per the bank reconciliation was \$437,000 more than cash per the general ledger. The bank reconciliation has not been provided to, or reviewed by the school board members and the former business manager did not initial or date the reconciliations to show her review.

We recommend that the board members review the bank reconciliations basis to ensure all items are being properly recorded and match what is recorded in the financial statements. This will also allow the board to identify the amount of cash held by the School District. We also recommend that the business manager initial and date the reconciliations to show that she has reviewed them.

Views of Responsible Officials and Planned Corrective Action

The District is working to complete the bank reconciliations before the following month's Board meeting and will work to implement a procedure for the School Board to review the reconciliation.

2020-006 – (NONCOMPLIANCE) UNTIMELY FILING OF THE DATA COLLECTION FORM

Finding

The School District failed to submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

We recommend that the School District follow Federal grant requirements and ensure the audit can be performed early enough to allow the Data Collection Form to be filed within the required time limits.

Views of Responsible Officials and Planned Corrective Action

They are working to have audits performed timely to allow for the Data Collection Form to be filed within the time limit.

FINDINGS – MAJOR FEDERAL AWARD PROGRAMS

NONE NOTED

Sincerely yours,

Lori Olson
Interim Business Manager
Williston Public School District #1